

## Message Text

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PAGE 01 MADRID 03940 241156Z

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ACTION PM-07

INFO OCT-01 EUR-25 ISO-00 CIAE-00 INR-10 NSAE-00 RSC-01

ABF-01 IGA-02 MC-02 SS-20 NSC-07 DRC-01 L-03 OMB-01

TRSE-00 SAM-01 /082 W

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P R 241000Z JUN 74

FM AMEMBASSY MADRID

TO SECSTATE WASHDC PRIORITY 9244

INFO SECDEF WASHDC

JCS WASHDC

SECNAV WASHDC

CNO WASHDC

C O N F I D E N T I A L MADRID 3940

E.O. 11652: GDS

TAGS: MASS, SP

SUBJ: R & D NON-RECURRING SURCHARGE ON R & D COSTS FOR  
SPANISH NAVY

1. THE SPANISH MINISTER OF THE NAVY, ADMIRAL PITA DA  
VEIGA APPROACHED ME IN MAY REGARDING THE INCLUSION  
OF A SURCHARGE FOR R & D COSTS TO THE COSTS OF PATROL  
FRIGATES TO BE PURCHASED BY THE SPANISH NAVY CONTRARY  
TO ASSURANCES PREVIOUSLY GIVEN BY U.S. THAT NO SUCH  
SURCHARGES WOULD BE CHARGED.

2. I AM INFORMED THAT COMMENCING WITH THE SUMMER OF  
1972 HIGH RANKING US NAVY OFFICIALS, WHILE IN MADRID,  
STATED TO THE SPANISH THAT NON-RECURRING COSTS WOULD NOT  
BE CHARGED AND THAT THIS HAS BEEN RESTATED SEVERAL TIMES  
SINCE THEN. ALTHOUGH NO WRITTEN STATEMENT WAS APPARENTLY  
GIVEN TO THIS EFFECT, THERE IS NO DOUBT THAT THE SPANISH  
CONSIDER SUCH ARAL STATEMENT AS A COMMITMENT BY THE  
US GOVT. AND HAVE TAKEN IT AS SUCH.

3. DURING MY RECENT VISIT TO WASHINGTON FOR CONSUL-  
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PAGE 02 MADRID 03940 241156Z

TATIONS I EXPLAINED THE MINISTER'S POSITION AND UNDER-

STANDING TO THE CNO, SECNAV AND THE JCS WHEN I MET WITH THEM ON FRIDAY, JUNE 7. I ALSO DISCUSSED THE MATTER WITH VICE ADMIRAL PEET, DIRECTOR OF THE DEFENSE SECURITY ASSISTANCE AGENCY. AT THE JCS MEETING, THE CNO STATED THAT HE HAD GIVEN THE AUTHORITY FOR THE STATEMENT MADE TO THE SPANISH, WITH THE CONCURRENCE OF THE FORMER DEPUTY SECRETARY OF DEFENSE, MR. PACKARD.

4. AS I SEE THE SITUATION, IT IS NOT A MATTER OF WHETHER THE SPANISH COULD OR SHOULD PAY THE NON-RECURRING COSTS. THE ISSUE IS OVER THE CREDIBILITY OF THE WORD OF AN OFFICIAL OF THE US GOVT. WHICH WAS TAKEN IN GOOD FAITH BY OFFICIALS OF THE SPANISH GOVERNMENT.

5. I UNDERSTAND AND AGREE WITH THE DOD POLICY THAT COUNTRIES BUYING INTO OUR HARDWARE PROGRAMS SHOULD HELP BEAR THE R & D COSTS. HOWEVER, IN THIS INSTANCE A COMMITMENT HAS BEEN MADE AND TO GO BACK ON IT WOULD PROBABLY BE CONSIDERED AN ACT OF BAD FAITH. MY STRONG RECOMMENDATION IS THAT THE NON-RECURRING COSTS CONNECTED WITH SALE OF PF TO SPAIN BE CANCELED.

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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